



STATE OF MAINE
DEPARTMENT OF EDUCATION
23 STATE HOUSE STATION
AUGUSTA, MAINE
04333-0023

JOHN ELIAS BALDACCI
GOVERNOR

ANGELA R. FAHERTY, Ph.D.
COMMISSIONER

November 17, 2010

Harpswell Board of Selectmen
Town of Harpswell
P.O. Box 39
Harpswell, ME 04079

Dear Harpswell Board of Selectmen:

In response to your correspondence on behalf of the Town of Harpswell dated 11/5/10, received during the 10 day comment period of October 28 to November 8, 2010, regarding the proposed elementary school closing of the West Harpswell School in Harpswell, Maine, the Commissioner's role is to determine whether the information provided has met the conditions set forth for the 'Lack of Need' report pursuant to 20-A MRSA §4102, subsection 3 and to approve the determination of the expense to keep the school open pursuant to 20-A MRSA §1512.

The final decision to close the school is determined by the school administrative unit's governing body. The statutes require that the municipality where the school is located vote on an article to close the school. Included in the article must be the cost that would be required to keep the school open. Should the vote support keeping the school open then the municipality where the school is being located would be financially responsible for the cost to keep the school open.

The following are in direct response to the comments submitted on behalf of the *Town of Harpswell and the attachment from the Town of Harpswell's School Closure Cost Review Team (SCCRT)*:

1. **Comment** regarding inability to resolve aggregate increase of over \$22,000 in the teacher salaries regular instruction line from 2008-09 (\$177,609.53) to base year 2009-10 (\$199,762.80) for an unchanged number of teachers (4.5). "The town specifically questioned whether any teachers had been compensated for more than a 12-month period of time in the 2009-10 base year. The District later confirmed that there was an overstatement of this line in 2009-10."

Response: The district has responded to this inquiry in the following manner: "In the course of reviewing the salary lines Harpswell questioned the classroom teacher line and District found that a journal entry to move 0.5 FTE teacher salary for summer pays hit on June 30, 2009 and not on July 02, 2009 (the first pay period in the 2009-2010 fiscal year). This caused an understatement of the expense for the 2008-2009 base year and overstatement of the expense for the 2009-2010 base year. The amount of the understatement/overstatement is \$ 5,007.69. The benefits are calculated correctly."

Based on this information, the Department will recognize that the total cost of keeping the West Harpswell School open will be reduced from \$195,962.42 by \$5,007.69 to \$190,954.74 to correctly reflect actual base year expenses used in determining the cost.

2. **Comment:** “If, however, you are accepting comments on errors in last year’s estimated figure of \$219,030.60, which was approved by the Commissioner, we would like to be advised.”

Response: Comments may only be accepted on the current school closure submission.

3. **Comment:** “The District has acknowledged that the WHS teacher salaries regular instruction line for the 2009-10 base year is overstated. Not only does this overstatement affect the base year salary line for regular instruction teachers by \$5,007.69, but it may also have an effect on benefits in the base year that has not been quantified.”

Response: Please see response to Comment #1.

4. **Comment:** “Inconsistency from year to year. SAD 75 reported that it received new guidance from the DOE in preparing this year’s cost data. The change in interpretation of the regulations creates inconsistencies from year-to-year, making comparisons and projections difficult.”

Response: The guidance from the DOE is based on rules and statute. Comments may only be accepted on the current school closure submission.

5. **Comment:** Prepaid Expenses – The SCCRT questions whether from an accounting standpoint certain items should be treated as prepaid expenses and therefore excluded from the base year cost savings calculation.

Response: Pursuant to statute, expenses to keep the school open must be actual expenditures. All expenses incurred during the base year will be considered in the cost savings calculation – the only exception per rule is additional costs for transportation may be included.

6. **Comment:** One-time versus recurring costs – The SCCRT questions whether one-time or non-recurring cost items could or should be treated differently than recurring ones, particularly in base years when the District did not decide to close the school.

Response: Please see response to Comment #5.

7. **Comment:** Additional costs that may occur as a result of the closing – Other than transportation, where the cost of the additional mileage is being taken into consideration, the process does not appear to allow for higher estimated costs in such areas as phone service, trash removal and administrative supplies if the school were closed.

Response: Please see response to Comment #5.

8. **Comment:** Adjustments that occur from the base year to the current year – The process does not allow for adjustments when staffing changes have occurred from the base year to the current year.

Response: Per rule the “base year” is used so that the financial data are complete and audited financials that will show actual expenditures within that district in the “base year”. Base year is as defined in 20-A MRSA §15672(1-B) – “Base Year” means the 2nd year prior to the allocation year. In the most recent application, the school closure would take place in 2011-12, one year prior would be the current year 2010-11, and two year’s prior would be the base year 2009-10. All expenditures accrued in 2009-10 will be used when considering costs that would either continue or cease if the school were closed. Any adjustments that occur in the “current year” cannot be considered as the financials are not complete and audited.

9. **Comment:** Members of the SCCRT have been challenged to review the District’s figures in a relatively short period of time, and believe the 10-day comment period should be lengthened in order to provide adequate time for the municipal review process.

Response: Per rule, the Department of Education must respond to the cost data within 20 days – in order to do that within this time frame and also per rule, comments from the member municipality on the compliance of the cost data must be delivered in writing within 10 days of the receipt of the cost data from the SAD (RSU).

The following are in direct response to the comments submitted by the Town of Harpswell on behalf of *Robert J. McIntyre and Friends for Harpswell Education*:

1. **Comment:** A series of unresolved questions and newly discovered additional errors remain in the amended MSAD 75 Petition for Closure of the West Harpswell Elementary School.

Response: The district has responded to this inquiry in the following manner: “In the course of reviewing the salary lines Harpswell questioned the classroom teacher line and District found that a journal entry to move 0.5 FTE teacher salary for summer pays hit on June 30, 2009 and not on July 02, 2009 (the first pay period in the 2009-2010 fiscal year). This caused an understatement of the expense for the 2008-2009 base year and overstatement of the expense for the 2009-2010 base year. The amount of the under-statement/overstatement is \$ 5,007.69. The benefits are calculated correctly.”

Based on this information, the Department will recognize that the total cost of keeping the West Harpswell School open will be reduced from \$195,962.42 by \$5,007.69 to \$190,954.74 to correctly reflect actual base year expenses used in determining the cost.

2. **Comment:** We ask that you remand the amended petition to MSAD 75 for a second amendment to correct for these newly discovered errors and to consider as well removal of other inappropriate charges discussed below.

Response: Please see response to Comment 1.

3. **Comment:** it appears that an average share of the various continuing district-wide totals has been used to incorrectly charge WHES for excessive amounts in categories like garbage hauling, telephone and some administrative services.

Response: Per rule “actual and/or prorated base year costs for the elementary school during the base year” are the cost data computed to *determine* the cost savings should the school close. All costs provided represent actual expenditures for the West Harpswell School in the base year and are in compliance.

4. **Comment:** Charges that are not related to the base year but to the year/years that follow, despite this are charged to WHES for the base year (FY 2010). B.1. the items in question are: pumping of the septic tank; boiler repair; and an extensive capital repair of the drinking water well. All of these are all multi-year phenomena; not properly attributed to the base year alone.

Response: Per rule “actual and/or prorated base year costs for the elementary school during the base year” are the cost data computed to *determine* the cost savings should the school close. All the expenses referred to above occurred and were paid in the base year, therefore they are appropriately considered savings should the school close.

5. **Comment:** B.2. Under a strict reading of the regulations, where WHES must be assumed to have been closed during the base year (FY 2010), each of the 3 activities mentioned in B.1. above would not have been carried out at all.

Response: Please see response to Comment 4.

6. **Comment:** B.3. A large and abnormal delivery of oil to WHES occurred in the last days of FY 2010, making the base year oil bill very high despite the sharply lower oil prices. This was a prepayment for FY2011 activities that should not be charged to the FY2010 base year.

Response: Please see response to Comment 4.

7. **Comment:** The jump in total teacher salaries from \$177,609.53 in last years petition using the FY 2009 base year to \$199,762.80 in this years petition (FY 2010) has not been satisfactorily explained.

Response: Please see response to Comment 1.

8. **Comment:** Grounds for a refund of more than \$38,000 from SAD75 for the incorrect principal salary charge under the FY2009 petition.

Response: Comments may only be accepted on the current school closure submission.

The following are in direct response to the comments submitted by the Town of Harpswell on behalf of *James Henderson*:

Comment: Please consider the attached comments on the "Lack of Need" report submitted by SAD 75 regarding the proposed closure of the West Harpswell School.

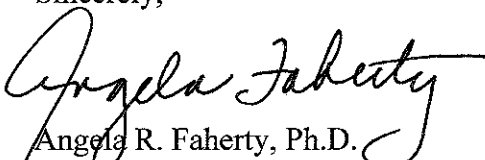
Response: Per Statute 20-A §4102, 3. Lack of Need; the lack of need report shall be filed with the commissioner and shall contain, at a minimum, the following:

- A. Projection of the number of students in the affected area over the next 5 school years, including a projection of the educational programs which they will need;
- B. Manner in which the continuation of the educational programs for the affected students will be provided;
- C. Effective date on which the closing will take place;
- D. Projection of additional transportation or other related services;
- E. Existence of any other outstanding financial commitments, including debt service, related to the school building along with a retirement schedule of payments to meet the commitments;
- F. Proposed disposition of the school building;
- G. Financial impact of closing the school building; and
- H. Statement of reasons why the school building is being closed.

The Commissioner is charged with confirming that the Lack of Need report contains all of the above required components; in this case the report is in compliance and contains all the required components as submitted and will not need to be resubmitted.

Please do not hesitate to contact the School Finance staff at (207)624-6790 with any questions that you may have regarding the computation of costs associated with the closing of an elementary school.

Sincerely,


Angela R. Faherty, Ph.D.
Commissioner of Education

cc: J. Michael Wilhelm, Supt. of Schools, MSAD 75
Suzan Beaudoin, School Finance Supervisor
Paula Gravelle, School Finance Consultant

ARF:pbg